

**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES AND POLICIES**

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Program ID/Title: AGS-104/Internal Post-Audit

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I. Goal

The program will ensure that all accounting and internal control systems of departments in the executive branch of the state government adhere to prescribed policies and procedures and accounting principles generally accepted in the United States of America. Program activities will be governed by statutory provisions and the auditing standards of the American Institute of Certified Public Accountants and the U.S. General Accounting Office, and will include the following types of audits: (1) annual audits required by statute or external mandate; (2) annual audits by request; (3) department and agency requests with urgent needs; and (4) audits of other departments and agencies not requiring annual audits but scheduled on a cyclical basis.

II. Objectives and Policies

- A. #1 – Complete at least 85% of the annual audits within the time period specified by statute or external mandate and establish a schedule of non-annual audits that will provide an adequate audit cycle for those departments which are not audited annually.
- B. #2 – Within a five-year period, incrementally move to the completion of all annual audits within the time period specified by statute or external mandate and schedule enough non-annual audits each year so that every department in the executive branch will be audited at least once every three years where the department is not audited annually.
- C. #3 – Where audits are contracted with CPA firms, audit costs shall be evaluated during the audit fee negotiation process to ensure that the hourly rates to be paid by personnel classification are reasonable and any increase from prior audit contracts is equal to or does not exceed materially the prevailing inflation rate.

III. Action Plan and Timetable

- A. Objective/Policy #1 – Complete at least 85% of the annual audits within the time period specified by statute or external mandate and establish a schedule of non-annual audits that will provide a reasonable audit cycle for those departments which are not audited annually.
 - 1. Required Actions
 - a. Define the target group to be audited.
 - b. Establish a schedule of annual and non-annual audits.
 - c. Review and approve the audit requests of departments and agencies.
 - d. When requested, assist departments and agencies in procuring the audit services of CPA firms.
 - e. Communicate the procurement results so that departments and agencies can execute audit contracts with the CPA firms.
 - 2. Past Year Accomplishments
 - a. The target group to be audited was defined.
 - b. A schedule of annual and non-annual audits was established. 34 of 36 planned annual audits of State agencies were completed within the time period specified by statute or external mandate. 25 planned non-annual audits were completed during the fiscal year.
 - c. 14 audit requests of departments and agencies were reviewed and approved.
 - d. 2 departments and agencies were assisted in the procurement of audit services of CPA firms.

- e. The procurement results were communicated to the 2 departments and agencies allowing them time to execute audit contracts with the CPA firms.
 - 3. Items c, d and e can be implemented within a three-month period from the time that an audit request is received from a department or agency.
- B. Objective/Policy #2 – Within a five-year period, incrementally move to the completion of all annual audits within the time period specified by statute or external mandate and schedule enough non-annual audits each year so that every department in the executive branch will be audited at least once every three years where the department is not audited annually.
- 1. Required Actions
 - a. Update the target group to be audited each year.
 - b. Establish a schedule of annual and non-annual audits each year based on the updated target group.
 - c. Review and approve the audit requests of departments and agencies.
 - d. When requested, assist departments and agencies in procuring the audit services of CPA firms.
 - e. Communicate the procurement results so that departments and agencies can execute audit contracts with the CPA firms.
 - 2. Past Year Accomplishments
 - a. The target group to be audited was updated.
 - b. The schedule of annual and non-annual audits was revised based on the updated target group.

- c. 14 audit requests of departments and agencies were reviewed and approved.
 - d. 2 departments and agencies were assisted in the procurement of audit services of CPA firms.
 - e. The procurement results were communicated to the 2 departments and agencies allowing them time to execute audit contracts with the CPA firms.
 - 3. One Year – Implement all of the action items within a one-year period. Identify the annual audits of departments which cannot be completed within the time period specified by statute or external mandate because of accounting or auditing problems so that corrective action can be taken.
 - 4. Two Years – Continue the implementation timetable of the first year.
 - 5. Five Years – Continue the implementation timetable of the prior years.
- C. Objective/Policy #3 – Where audits are contracted with CPA firm, audit costs shall be evaluated during the audit fee negotiation process to ensure that the hourly rates to be paid by personnel classification are reasonable and any increase from prior audit contracts is equal to or does not exceed materially the prevailing inflation rate.
- 1. Past Year Accomplishment – A schedule of hourly rates by personnel classification has been established for 15 CPA firms. This schedule was compared to the audit contracts for each of the 15 CPA firms that were selected to provide audit services during the past year. The hourly rates by personnel classification for these CPA firms were reasonable and any increase from prior audit contracts was equal to or did not exceed materially the prevailing inflation rate.
 - 2. One Year – Establish a schedule of hourly rates by personnel classification by CPA firms and compare the rates with existing audit contracts with the applicable CPA firms.

3. Two Years – Update the schedule of hourly rates by personnel classification by CPA firms and compare the rates with existing audit contracts with the applicable CPA firms.
4. Five Years – Continue to update each year the schedule of hourly rates by personnel classification by CPA firms and compare the rates with existing audit contracts with the applicable CPA firms.

IV. Performance Measures

- A. Customer Satisfaction Measure – An annual evaluation survey will be developed and distributed to the target group. Any concerns identified through the survey will be addressed immediately.
- B. Program Standard Measure – Program standard will be the completion of all annual audits within the time period specified by statute or external mandate, and the audit of every department in the executive branch at least once every three years where the department is not audited annually.
- C. Cost Effective Measure – Audit fees will be monitored to ensure that they are reasonable and fair and do not exceed budgeted costs.